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Morning Ag Markets

Pete Loewen

Meat complex trade finished on the plus side across the board with all three between live cattle, feeders and hogs having contracts in the triple digits higher. Cash hog trade as well as pork cutouts remain under pressure for the most part, yet we still get days where futures are supported. I chalk that up to money flow more than anything else, but you also have to remember that even in bear markets the futures don't go down every single day.

Feeders found support even in the face of the corn market trading quite a bit higher at one point. The live market is finding support from thoughts we could see higher cash this week compared to the last round. There have been some offers this week already at $2.00 positive basis over the Dec futures. Those offers have been around before over the last two weeks and yet cash hasn't moved up, it was steady to lower in the bulk of the negotiated trade.

The Goldman Roll is still in progress which explains the discrepancy between spot December and Feb live futures. Feb gained 67 cents more than the Dec yesterday and that was driven by Goldman liquidating Dec longs and rolling them to the next month out which is the February.

Cattle slg.___107,000 +4k wa -14k ya
Choice Cutout__251.44 +1.47
Select Cutout___238.75 +.32
Feeder Index:___240.86 -.35
Lean Index.__87.99 +.06
Pork cutout___95.28 -.32
IA-S.MN direct avg__86.49 -.17
Hog slg.___ 429,000 +1k ya +3k ya

Moving on to the grains, it was hard to follow a giant up day in beans with much more drama, but yesterday's trade started with another sharp jump up and then a BIG swing lower that resulted in a 40+ cent range from high to low. The big driver of that turnaround lower in beans was rumors that several cargos of South American meal were being shipped into Southeast US feed markets. If that keeps up, it could solve the meal transportation and futures rally issue very quickly.

Given the fact corn and wheat have been heavily trailing this soybean rally lately and also the fact the bean rally has been pushed well beyond fundamental logic, the odd part of the days action was corn and wheat futures catching a strong bid and closing higher while the beans remained under pressure. Granted, there might be some minor merit to this cold snap impacting wheat health in a few areas, but I don't really think it would have been enough to warrant 20 higher Kansas City futures at the close. This cold weather event was very well advertised prior to it hitting and in typical trade it would have been priced into a premium beforehand, not as it was happening. If in fact the buying yesterday was weather driven, I doubt it will have much follow through.

Export sales that normally come out on Thursday mornings have been delayed this week due to Tuesday's government holiday. I'll give the full update on those numbers tomorrow. A couple of things to keep in mind regarding the sales numbers is that bean sales lately have been very good, while corn and wheat have lagged considerably. US wheat and to some extent corn is overpriced in the world export arena compared to competing offers into certain markets. For the corn market especially, having a 2 bln + carryout estimate means we need to increase exports, not struggle. Higher futures aren't helping matters and the reality for the fall crop markets is that exact big picture topic that higher prices don't usually improve demand, it discourages it. That's why in the intermediate and longer term, I don't think the rally holds.

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